


March 24, 2021

FOR YOUR INFORMATION

To: Mayor and Members of City Council

From: Paula Boggs Muething, City Manager 

Subject: Funding Priorities for Coronavirus Local Fiscal Recovery Fund

This memorandum sets forth the City Administration's recommendations and funding priorities for the expected federal relief funds related to the COVID-19 pandemic.

Background and Information

The American Rescue Plan Act of 2021¹ ("ARP") was signed by President Joe Biden on March 11, 2021. Section 9901 of the ARP establishes a new program to be administered by the United States Department of the Treasury ("Treasury") known as the Coronavirus Local Fiscal Recovery Fund ("LFRF" or "recovery funds"). This program will provide significant stimulus and recovery funding to local governments throughout the United States. Though the City may receive additional funding under other provisions of the ARP, the LFRF is the most substantial funding source.

The purpose of the recovery funds is to mitigate the fiscal effects stemming from the COVID-19 public health emergency. Broadly, recovery funds can be utilized for costs incurred by the City to respond to COVID-19, including negative economic impacts; to provide premium pay to eligible workers performing essential work during the COVID-19 public health emergency; to pay for government services to the extent of revenue reductions due to COVID-19; and to make necessary investments in water, sewer, or broadband infrastructure. The LFRF explicitly prohibits deposit of the monies into pension funds. Additional guidance from Treasury is forthcoming and will provide final parameters and clarity on eligible uses.

All recovery funds must be utilized prior to December 31, 2024 and is allocated to local governments based on a modified Community Development Block Grant allocation methodology. Though final allocation amounts have not yet been released by Treasury, the City estimates that it will receive approximately \$290 million in LFRF funds. Under the ARP, the first half of this amount is expected to be paid to the City no later than May 11, 2021. The second half is expected to be paid to the City no later than May 11, 2022.

¹ <https://www.congress.gov/bill/117th-congress/house-bill/1319/text#toc-HA2014788068F45DFB8DF03D5E72AFEE7>

Funding Priorities

The recovery funds present an extraordinary opportunity to catalyze economic recovery and growth in sectors that have been devastated by the impacts of COVID-19. The funding priorities set forth below are targeted to provide both immediate impact and long-term public benefits, in order to ensure that this dramatic public investment continues to provide returns far beyond the actual expenditures. A detailed list of proposed expenditures is included as **Exhibit A** to this memorandum. These expenditures are subject to Council approval and appropriation. They are also subject to Treasury guidance for the LFRF, which has not yet been released but is forthcoming and may indicate that certain categories of expenditures are ineligible.

Fiscal Stability

The Administration's top priority is to stabilize the City's fiscal position. This includes covering operating budget deficits from Fiscal Year ("FY") 2021 and projected deficits for FY 2022 and FY 2023, and creating an income tax contingency fund to protect City operations from the risk of reduced income tax revenue presented by ongoing litigation that challenges the City's ability to tax income accrued through remote work. Further, this includes restoring all lost revenue to various restricted funds to account for revenue reductions caused by the pandemic and reserving sufficient funding to address operational needs of the Cincinnati Public Health Department for continued pandemic response work, including efforts to achieve equity in vaccine distribution and continued contact tracing and testing.

Job Creation, Economic Growth, and Housing Stability

The COVID-19 pandemic has caused substantial unemployment or underemployment and reduced earnings for many citizens, disproportionately impacting lower income households. The City Administration recommends funding support programs that address the economic impacts of COVID-19 by creating job opportunities and encouraging economic growth. This includes public investments to stabilize existing job-creating enterprises and support for enterprises that grow new businesses and job opportunities. Finally, the economic impacts of COVID-19 have led to greater housing instability for many moderate- and lower-income City residents; therefore, the Administration recommends investments to increase affordable housing options and economic stability for these impacted City residents.

Critical Financial Support for Cultural Institutions, Small Business, and Community Partners

Our cultural institutions and small businesses are the engines for the City's vitality and energy, and mission-driven community partner organizations provide a sense of community and hope. These organizations have faced tremendous financial difficulties in the past year and have taken on debt, cut staff and expenses, or reduced operations. In order to retain the character that is uniquely Cincinnati, energize our local

economy, and restore the public benefits they provide to our region the Administration recommends a meaningful investment to stabilize these organizations.

Safe Activation of Civic Spaces and Community Building in Neighborhoods

Once safe, a critical element of restoring the vibrancy of our City will be to bring life back to our civic spaces throughout the City and to conduct community building activities in our neighborhoods. The goal of these recommended public investments is to repair the community fabric and relationships that have been dormant due to COVID-19 restrictions and encourage our City's residents to safely engage with their neighbors and friends.

Capital Investment to Improve City Services and Quality of Life

Finally, the Administration recommends investment in capital projects that will improve City services and improve the quality of life of City residents. These investments will initially create construction jobs and economic activity to directly address the negative impacts of COVID-19 and will provide long-term public benefits for generations of City residents.

Conclusion

The LFRF is an opportunity for our City to recover and reignite economic growth by investing in priorities that will counteract the negative financial and social impacts of the pandemic. With the proposed funding priorities and projects described above and in the attachment, the Administration seeks to stabilize the City's finances, create a wide range of pandemic response and support programs, and to make substantial capital investments in our City's infrastructure.

Exhibit A